

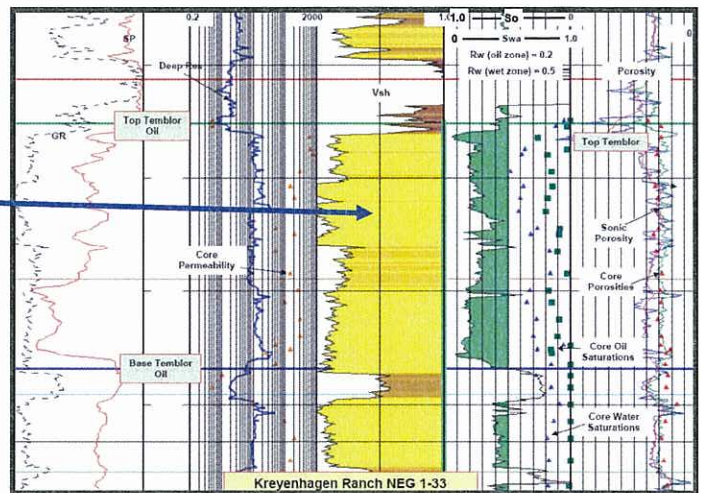
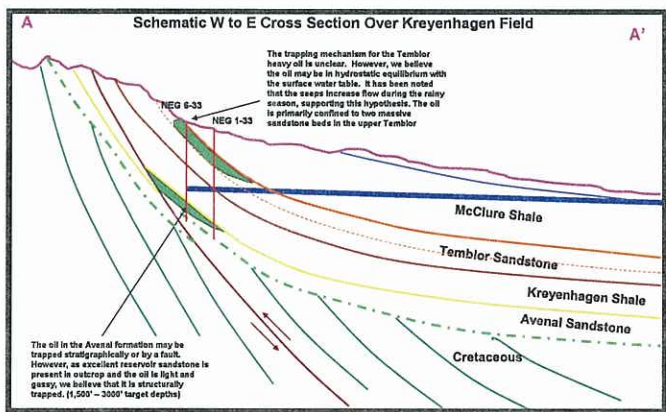


NORTHERN ACREAGE BLOCK — HEAVY OIL APPRAISAL PROJECT

The Kreyenhagen Ranch project is a Temblor heavy oil sand development located south and east of Coalinga field. The Kreyenhagen field was discovered in the late 1900's, and underwent two significant periods of drilling activity. Large upside reserve potential exists along the trend, which features oil seeps in the Temblor outcrop and within canyons. Nearby West Coalinga field has produced over 500 million barrels of heavy oil from the Temblor formation.



Kreyenhagen Ranch: natural oil seep.



Four wells have been drilled in the project, with standard log suites run and sidewall cores analyzed. The next step is to run carbon-oxygen logs in the wells to distinguish between heavy oil and fresh water on resistivity curves, for more accurate pay determination. We also intend to cold-pump the wells. To better delineate the resource distribution, a coring program should be undertaken along trend. Nations commissioned an engineering feasibility study that considers steam application and compares cyclic versus gravity assisted drainage using horizontal wells. A preliminary reservoir model has been prepared by independent consultants.